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C O N F I D E N T I A L SECTION 01 OF 03 CHENGDU 000289

SIPDIS

DEPT FOR EAP/CM, INR, G

E.O. 12958: DECL: 12/16/2033

TAGS: [ECON](#) [PGOV](#) [SOCI](#) [CH](#)

SUBJECT: SOUTHEAST TIBET: ECONOMIC AND SOCIAL OVERVIEW

REF: A. CHENGDU 288

[B](#). CHENGDU 287

[C](#). CHENGDU 238

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CLASSIFIED BY: James A. Boughner, Consul General, U.S. Consulate General, Chengdu.

REASON: 1.4 (b), (d)

[1](#)1. (C) Summary: According to Linzhi Prefecture officials in the southeast of China's Tibet Autonomous Region (TAR), ninety percent of local government expenditures are subsidized by the central government as well as the provincial governments of Fujian and Guangdong. A major source of income for local Tibetan families is the gathering of caterpillar fungus and any significant decline in the price of this lucrative ingredient used in Chinese medicinal tonics can lead to social instability.

Border trade is "informally" permitted to take place with Burma. Migrants from inland China appear to be the principal beneficiaries of incentives given to local businesses. Ethnic Han-controlled prostitution is unabashedly out in the open in Linzhi's Bayi Township. End Summary.

Reform and Development Commission

[1](#)2. (SBU) During a week-long visit in late November to Linzhi located in southeastern TAR, officials at the prefecture's Reform and Development Commission discussed with ConGenOff the local economy and government support from other areas of China. Linzhi has a population of 178,000 people living in seven counties, 45 townships and 526 villages. It has an average elevation of 3100 meters and is 46 percent forest with a total of 2.64 million hectares of forestland. Inflation during 2008 was officially in line with national trends at between four to five percent. The manufacturing and agricultural sectors have registered some progress during the year, but the service sector declined as overall investor confidence fell.

[1](#)3. (SBU) According to the Reform and Development Commission, official subsidies account for about 90 percent of local government expenditures. The central government provides about 70 percent of assistance with coastal provinces, especially Fujian and Guangdong, providing Linzhi with another 30 percent, mostly by building infrastructure and providing "Help Tibet Cadres." The central government invested RMB 700 million (USD 100 million) to build a tunnel through a mountain and a road to Motuo County, one of the few counties in the PRC that had not been accessible by road.

[1](#)4. (SBU) According to the Reform and Development Commission, persuading herders to maximize their income by killing yaks when they are three-years-old has been difficult. The herders are

sentimentally attached to the animals and will only kill them when they are much older, reducing the rate of return. Major sources of income for local Tibetans include collecting caterpillar fungus, farming and work on construction sites. The price of caterpillar fungus dropped ranged from 70,000 Renminbi per jin (approximately USD 10,000/lb) in 2007 to 50,000/jin in 2008. Drops in the price of caterpillar fungus can lead to social instability. In response to a question from ConGenOff about why there are so few Tibetan-run businesses in Linzhi's Bayi Township, an official responded that Tibetans can make more money by gathering caterpillar fungus and are also not very interested in going into business for cultural reasons.

Trade with Burma and India

15. (C) Reform and Development Commission officials also claimed that hydroelectric power stations on the tributaries of the Brahmaputra River will not affect the flow of water to India. Not entirely apropos to the conversation, one official who had previously served in Miling County on the Indian border volunteered, "we used to dump all our trash in the river until we got complaints from the Indians." On the border with Burma at Chayu County (Tibetan: Dzayul), the Chinese government permits informal trade. Local government authorities have already helped build a port administrative building to support trade in consumer goods between Burma and China, although "formal" trade has not yet been approved.

Labor Bureau

16. (C) Linzhi Labor Bureau officials told ConGenOff that their office is responsible for providing job training, helping workers find jobs, and educating workers about their rights under China's labor laws. An ongoing poverty alleviation project in the prefecture helps reduce unemployment by

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subsidizing jobs. New investors to the region can have their workers trained by the Bureau before opening a business and benefit from a 40 percent subsidy of wages for the first five years. A floating population of migrant workers mostly from inland China also benefits from worker training. Forty percent of the clients of the Labor Bureau are Tibetan (Note: Linzhi Prefecture's overall population is 80 percent Tibetan). The Labor Bureau has offices throughout the prefecture to assist in rural areas. ConGenOff did not see any Tibetan language signs and only a few Tibetan language leaflets at the Labor Bureau.

Environmental Bureau

17. (C) Dawa, an ethnic Tibetan, leads the Linzhi Prefecture Environmental Bureau, established in 2002, which sits in a new office building built for it by the Guangdong Province Environmental Bureau. Many of the Linzhi Environmental Bureau's staff of twenty-four employees were trained by the Guangdong Environmental Bureau either in Guangdong or by "Help Tibet Cadres" seconded to Linzhi. In addition, there are two environmental officials in each of the seven counties of Linzhi who report to both their county government and the Prefectural Environmental Bureau under China's "dual leadership system." Air pollution has not been a problem in Linzhi and the local government discourages polluting industries from locating to the prefecture. Most of the environmental work in the prefecture is focused on water and soil pollution, as well as regular checks of vegetables for pesticide levels. On the first floor of the Linzhi Environmental Bureau ConGenOff saw a giant poster noting that, "the Linzhi Environmental Bureau Denounces the Dalai Lama Criminal Gang".

Education Bureau

18. (SBU) Officials at the Linzhi Educational Bureau claimed that

99.4 percent of school-age children receive nine years of compulsory education. Seventy percent of the students in prefecture schools are ethnic minorities. Most classes in rural areas are conducted in Tibetan, while in such urban areas such as Bayi Township classes are in Chinese. Political education, called education in the "legal system," is the responsibility of deputy school principals and has been strengthened since the March 2008 outbreak of unrest. ConGenOff was given a tour by Chinese officials of the recently built campus of Linzhi No. 1 Middle School, which has 2500 students and 165 teachers. Guangdong Province and several cities along the southeast coast of China built buildings on the campus, including a library donated by Zhuhai City.

Land of Opportunity for Sichuan Pig Farmer

¶9. (SBU) ConGenOff was also shown a modern pig raising operation on the outskirts of Bayi Township that had about 2500 pigs. The ethnic Han owner, originally from Zigong in Sichuan Province, proudly noted, "I could never have managed to have gotten so much land (80 mu, or about 10 acres) back in Sichuan." He also remarked that there is a great demand for pork in Linzhi Prefecture. Local quarantine checks make it hard to transport pigs long distances on the Tibetan Plateau, so his operation has been very successful in the local Linzhi market. Tax subsidies also made starting up the operation relatively easy. Many superior varieties of European and U.S. pigs are bred and raised. Most of the staff is ethnic Han, although Tibetans do some unskilled work.

Heifer Project A Big Hit in Linzhi

¶10. (U) ConGenOff visited a Heifer International Project just outside of Bayi Township. He saw a group of two-year old heifers among the 27 donated to village farmer by the Heifer International. Village leaders said that local Tibetan farmers are enthusiastic about the Heifer Project. Their only complaint was that the project scale is too small and that, with the price of cattle going up, it is hard to stay within budget. Cows supplied to the farmers in Linzhi come from a farm in Shandong Province. A local official reported that Heifer International, as of November 2008, had spent 2.1 million RMB to provide two cows each to 198 households in its two-year project in Linzhi.

Red Lights of Bayi Township

¶11. (C) During one evening stroll through downtown Bayi, ConGenOff counted at least 20 houses of prostitution complete with red lights and women sitting inside aggressively calling out to passersby. The establishments were all small shops with

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a back room and the vast majority of prostitutes appeared to be young ethnic Han. The large numbers of military personnel and migrant workers in the region are the principal clientele.

Lulang Valley: Tibetans Rent Horses, Han Make the Big Bucks

¶12. (C) ConGenOff was also given a tour of Lulang, a scenic area popular with tourists that lies approximately one hundred miles along the Sichuan - Tibet highway from Bayi Township beyond mountain passes that rise up over 4000 meters. Local officials said tourism has dropped 80 percent compared with 2007 due to the disturbances that broke out in Tibetan areas in March of ¶2008. During 2008, they have seen individual tourists but not tour groups. Government grants have enabled some local Tibetans to expand their houses to accommodate tourists. A local Party leader whose family lives in Chengdu but joins him in the summer noted, "this place is practically a suburb of Chengdu -- just take a two hour non-stop flight and drive another two hours from the Linzhi airport." Almost all the restaurants in the nearby town appeared to be run by ethnic Han. According to two local

Tibetans who rent ponies for tourists, "businesses are run by Han; we don't have any money and wouldn't know how to run a restaurant if we did." The Tibetans said they earn about RMB 400 (USD 60) per month in rentals.

Comments

¶13. (C) Lower in altitude and closer to inland China than other parts of the TAR, Linzhi Prefecture appears to be somewhat similar to Diqing Prefecture in Northwest Yunnan Province in terms of the overall comfort level of ethnic Han who have resettled there (see ref c). Diqing Prefecture, today one-third Tibetan, may well be one day the future of Linzhi, now 80 percent Tibetan. Diqing Tibetans are much more assimilated to Han culture than are their Linzhi counterparts since large-scale Han settlement in Diqing has a much longer history predating the establishment of the PRC in 1949. Although Linzhi remains predominantly Tibetan in terms of population, as a priority area for TAR development it is also very much an area where Han control the urban centers. Tibetans, who predominate in the countryside, are the object of development programs aimed to reorient them towards the urban market economy and the "blessings" of Han civilization that come along with it.
BOUGHNER